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## BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON  
Chairman  
JEFF HATCH-MILLER  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION  
OF AT&T COMMUNICATIONS OF THE  
MOUNTAIN STATES, INC. FOR  
APPROVAL TO INCREASE THEIR  
MAXIMUM RATE FOR PREPAID PHONE  
CARD SERVICE

DOCKET NO. T-02428A-06-0784

DECISION NO. 70036ORDER

Open Meeting  
November 27 and 28, 2007  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On December 15, 2006, AT&T Communications of the Mountain States, Inc. ("AT&T") filed an Application for tariff revisions to increase its current and maximum rates for its Prepaid Phone Card Service. More specifically, AT&T is increasing the current and maximum rates for intrastate calls made with its SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest. Simultaneously, AT&T is decreasing the current and maximum rates for intrastate calls made with its AT&T branded Prepaid Phone Cards.

2. Since this filing increases the maximum rate for a component of a service that has been classified as competitive under the Commission's Competitive Telecommunications Services Rules, Arizona Administrative Code R14-2-1110 applies to AT&T's proposal. Staff requested additional information from AT&T in its determination of the potential effects of approval of the filing.

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3. AT&T indicated in its filing that it seeks to correct an error in its September 29, 2006 filing by raising the maximum rate for the SmarTalk Phone Cards to be the same maximum rate listed for the AT&T branded cards. AT&T has concluded that the proposed increase will more closely standardize the price points and the maximum rates for the AT&T branded Prepaid Cards and the SmarTalk Prepaid Cards.

4. AT&T's filing increases the current rate per minute of talk time on intrastate calls made with the SmarTalk from 1 decrement to 5 decrements. A decrement is the number of minutes deducted from the prepaid card for each minute of talk time. For example, a ten minute call made using a SmarTalk card currently would cost \$0.98 compared to \$1.74 under the proposed rate. This filing also increases the maximum rate from 3 decrements to 24 decrements on intrastate calls made with the SmarTalk card. On the same ten minute call previously mentioned, the existing maximum rate would be \$1.36 compared to \$5.35 under the proposed maximum rate. At the same time, this filing decreases the current rate per minute of talk time on intrastate calls made using the AT&T branded Prepaid Phone Cards from 8 decrements to 5 decrements. The effect of this filing on a similar ten minute call made using the AT&T branded Prepaid Phone Card would currently be \$4.00 compared to \$2.50 under the proposed rate.

5. An illustration of the existing rates and proposed rates of the AT&T branded prepaid Phone Cards and SmarTalk cards are as follows:

| <u>Plan</u>                  | AT&T branded<br>Prepaid Phone Cards | SmarTalk and cards where service is<br>provided by Conquest |
|------------------------------|-------------------------------------|---|
| <u>Existing Maximum Rate</u> | 24 decrements                       | 3 decrements  |
| <u>Proposed New Maximum</u>  | 24 decrements                       | 24 decrements   |
| <u>Existing Price</u>        | Up to 8 decrements                  | 1 decrement   |
| <u>Proposed New Price</u>    | Up to 5 decrements                  | Up to 5 decrements  |

6. AT&T stated that the proposed rates are comparable to the rates it charges in other states.

7. AT&T estimates that the total annualized revenue from Arizona in-state calls made with SmarTalk and ConQuest cards is less than \$1,000 under the current rate structure. It also estimates that the effect of the proposed increase on the Company's Arizona revenues to be less

1 than 1 percent. The revenue projection does not reflect the simultaneous revenue decrease  
2 associated with the proposed decrement decrease for the AT&T branded Prepaid Phone Cards.  
3 Therefore, AT&T has estimated that the overall revenue impact of both price changes identified in  
4 its Application will result in a revenue decrease. Since the Prepaid Cards are a non-subscriber  
5 service, AT&T does not know how many customers are impacted by this filing. However, AT&T  
6 has indicated that less than one-tenth of one percent of all domestic prepaid calls are made using  
7 the SmarTalk and ConQuest cards while 99.9 percent are made using AT&T branded Prepaid  
8 Phone Cards.

9 8. The rates contained in this filing are for services that have been classified as  
10 competitive by the Commission. Under those rules, rates for competitive services are not set  
11 according to rate of return regulation standards. Staff has obtained information regarding AT&T's  
12 fair value rate base from AT&T's 2006 Confidential Annual Report that is on file at the  
13 Commission. Due to the nature of the competitive market and other factors, a fair value analysis is  
14 not necessarily representative of the Company's operations. Therefore, while Staff considered the  
15 fair value rate base information of AT&T, it did not allot that information substantial weight in its  
16 analysis of this matter.

17 9. Customers have been notified of the increase via a public notice that appeared in the  
18 Arizona Republic on January 5, 2007. A copy of the notice and an Affidavit of Notification  
19 associated with the customer notice was provided in the filing. AT&T has indicated in its April  
20 13, 2007 response to Staff's data request that the actual identity of the users of this service is  
21 unknown. Potential buyers of the cards are notified of pricing at the point of sale. AT&T has also  
22 indicated in its filing that AT&T will continue to honor the decrement rates for older cards  
23 purchased until the minutes on such cards are exhausted so that those customers are not charged  
24 more than the rates disclosed at the time of purchase. Staff has reviewed the customer notification  
25 that was provided and agrees that it is consistent with Commission rules.

26 10. Staff recommends approval of this filing.

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CONCLUSIONS OF LAW

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2 1. AT&T is an Arizona public service corporation within the meaning of Article XV,  
3 Section 2 of the Arizona Constitution.

4 2. The Commission has jurisdiction over AT&T and over the subject matter of the  
5 Application.

6 3. The Commission, having reviewed the tariff pages (copies of which are contained  
7 in the Commission's tariff files) and Staff's Memorandum dated November 14, 2007, concludes the  
8 tariff filing is reasonable, fair and equitable, and is therefore in the public interest.

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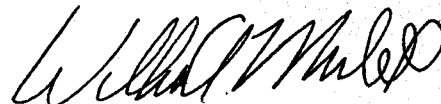
ORDER

IT IS THEREFORE ORDERED that the tariff of AT&T Communications of the Mountain States, Inc. filing be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 4<sup>th</sup> day of December, 2007.

  
DEAN S. MILLER  
Interim Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:FBM:lhmm\MAS

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